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PROCUREMENT OF HIGH-YIELD
STEEL PLATE WITHOUT
COMPETITION OR COST
OR PRICING DATA

-The effectiveness of secretarial
waivers B-148722

Department of Defense

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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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ABBREVIATIONS

FTC	Federal Trade Commission
GAO	General Accounting Office

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COMPTROLLER GENERAL'S
REPORT

PROCUREMENT OF HIGH-YIELD STEEL
PLATE WITHOUT COMPETITION OR
COST OR PRICING DATA

--The effectiveness of secre-
tarial waivers

Department of Defense B-148722

D I G E S T

WHY THE REVIEW WAS MADE

A General Accounting Office (GAO) report to the Congress in June 1965 on purchases by the Department of the Navy of HY80 steel plate stated that steel producers were quoting identical prices for this plate and were not furnishing cost data which would enable the Navy to determine the reasonableness of the prices being paid. The Navy promised to take corrective action.

GAO wanted to find out whether cost or pricing data were being obtained to determine the reasonableness of identical prices and, if not being obtained, whether secretarial waivers were being issued in compliance with Public Law 87-653--the Truth-in-Negotiations Act. Written comments have not been obtained from agency and contractor officials.

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FINDINGS AND CONCLUSIONS

HY80/100 steel plate is a high-yield-strength steel which increases the combat effectiveness of nuclear submarines, aircraft carriers, and nuclear frigates. (See p. 7.)

The Navy no longer procures HY steel plate; purchases are made by the Defense Industrial Supply Center, if the plates are to be Government furnished, or by the shipyards themselves. (See p. 8.)

HY80 steel plate was bought competitively by the Defense Industrial Supply Center and two of the three shipyards which used these plates. (See p.9.)

From 1967 to 1970 the third shipyard purchased about 80 percent of the unfinished steel plate used by the Government from two steel companies which had submitted identical bids. Under these circumstances the shipyard and the Navy recognized the need to obtain cost or

pricing data as required by law to establish reasonable prices. (See pp. 8 to 10.) Notwithstanding its efforts to obtain such data, the Navy has been unsuccessful because the steel companies have steadfastly refused to furnish certified cost or pricing data. (See pp. 13 and 14.)

Late in 1971 a third steel company began competing and during the 7 months ended April 1972 received orders for 35.6 percent of the \$6.5 million steel plate purchased. Although competition has increased during this period, 67 percent of the bids from the two other companies were identical and awards were made without obtaining cost or pricing data. (See p. 10.)

The Federal Trade Commission, as the result of a January 1964 letter from the Navy, conducted an investigation of identical price quotations for HY80 steel. After completion of the investigation, the Federal Trade Commission was of the opinion that there was not sufficient evidence to prove a conspiracy in the submission of bids on the steel. (See p. 14.)

The Federal Trade Commission, at the Navy's request, again has been looking into the matter of identical prices and in January 1972 held hearings to determine whether there are agreements between the steel companies to fix prices. This matter currently is under consideration. (See p. 14.)

GAO considered whether the Defense Production Act would be of assistance in obtaining cost or pricing data and concluded that under the act the Government could require a manufacturer to accept contracts for items it produces but could not require that cost data be furnished or that prices be established on the basis of such data. (See p. 15.)

The shipyards and the Navy were dealing with the only approved sources for the HY steel plate, and the Navy approved the purchases but did not issue formal secretarial waivers. (See pp. 8 and 13.)

GAO also examined refusals by other contractors to submit cost or pricing data and their exemptions from this requirement by issuance of secretarial waivers as required by Public Law 87-653. (See p. 16.)

The issuance of waivers constituted compliance with the law, but the agencies still did not know whether the

prices they accepted were fair and reasonable. The reasonableness of the prices accepted under these conditions, estimated at over \$200 million, is questionable. (See p. 16.)

The law does not contain a requirement making it mandatory for contractors to furnish cost or pricing data to an agency when it has been determined that such data are necessary to establish the reasonableness of the prices. If such data were obtained, they would provide the agency with a basis for determining whether offered prices were fair and reasonable. (See p. 17.)

If such data indicated that the offered prices were not reasonable, agency officials would have a basis for attempting to negotiate lower prices and, if unsuccessful, for considering what further action was warranted. (See p. 17.)

At the present time there is no provision in Public Law 87-653 or in any other legislation requiring contractors to submit cost or pricing data. (See p. 17.)

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CHAPTER 1

INTRODUCTION

The General Accounting Office has examined into the current procurement of HY80/100 steel plate by the Department of Defense and its prime contractors.

In 1965 we issued a report to the Congress (B-148772) on the procurement of HY80 steel plate used in nuclear submarines by the Department of the Navy and its prime contractors. We reported that, in view of the (1) identical catalog prices quoted, (2) limited sources of supply, and (3) almost exclusive use of HY80 steel plate by the Navy and its prime shipbuilders, price competition was insufficient to ensure reasonableness of the prices quoted.

We proposed that:

1. All future procurement of HY80 steel plate, successor types of plate, and other types of steel in which the same or similar noncommercial and noncompetitive conditions exist be made solely on the basis of individual negotiations with the producers in accordance with the requirements applicable under Public Law 87-653.
2. Contracting officers require prime contractors to comply with their prime contracts in obtaining a cost certification from all subcontractors, as appropriate under Public Law 87-653.
3. When the prospective prime contractor or subcontractor refuses to negotiate on the basis of certified cost or pricing data, either the negotiation be terminated and other sources solicited or a secretarial waiver be obtained.

The Navy agreed to require contractors to furnish cost or pricing data and cost certifications, to advise prime contractors to obtain certified cost or pricing data on all HY80 steel plate procurements, and to process contractor refusals to higher authority for resolution.

Public Law 87-653 states that, for negotiated contracts expected to exceed \$100,000, cost or pricing data certified by contractors as complete, accurate, and current should be required by Government procurement representatives. The law

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states also that this provision need not be applied to contracts or subcontracts when:

1. The price negotiated is based on adequate price competition.
2. Established catalog or market prices of commercial items sold in substantial quantities to the general public are used.
3. Prices are set by law or regulation.
4. In exceptional cases, when the head of the agency determines that the requirements may be waived and states in writing his reasons for such determination.

The Armed Services Procurement Regulation contains criteria for determining adequate price competition. Section 3-807.1(b)(1) states that:

"a. Price competition exists if offers are solicited, and (i) at least two responsible offerors, (ii) who can satisfy the purchaser's requirements, (iii) independently contend for a contract to be awarded to the responsive and responsible offeror submitting the lowest evaluated price, (iv) by submitting priced offers responsive to the expressed requirements of the solicitation. Whether there is price competition for a given procurement is a matter of judgment to be based on evaluation of whether each of the foregoing conditions (i) through (iv) is satisfied. Generally, in making this judgment, the smaller the number of offerors, the greater the need for close evaluations."

* * * * *

"c. A price is 'based on' adequate price competition if it results directly from such competition or if price analysis (not cost analysis) shows clearly that the price is reasonable in comparison with current or recent prices for the same or substantially the same items procured in comparable quantities under contracts awarded as a result of adequate price competition ***."

In our current examination of procurement of HY80 steel plate and its successor type, HY100, we wanted to find out whether the Navy and its prime contractors were obtaining cost or pricing data, for procurements over \$100,000, in compliance with Public Law 87-653.

Since prices were accepted by the Navy after refusals by the producers to furnish certified cost or pricing data, we extended our examination into those procurements for which the agencies issued secretarial waivers because contractors refused to furnish such data.

The scope of our review is shown in chapter 7.

HY80/100 STEEL PLATE

HY80 steel plate was developed to provide a high-yield-strength steel needed to increase the combat effectiveness of submarines. HY80 steel plate and its successor type, HY100, are made of low-carbon steel and achieve strength and toughness through a quenching and tempering heat treatment. HY steel combines strength and toughness over a wide temperature range and can be welded in heavy sections with little preheating and no postheating treatment. "HY" stands for high yield, and "80" and "100" represent the minimum strengths of 80,000 and 100,000 pounds a square inch. HY80 steel plate may be up to 8 inches thick, whereas HY100 is limited to a thickness of not more than 3 inches.

Military specifications govern the production of this type of steel plate. The specification covers not only the manufacturing of the unfinished product but also such finishing work as descaling, gauging for uniform thickness, testing for imperfections or cracks, prime-coating and preserving, and marking. The steel plate is sold in either the unfinished or finished condition. If purchased unfinished, the finishing work can be performed by either the procuring prime contractor or its subcontractor.

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CHAPTER 2

PROCUREMENT OF HY STEEL PLATE

From 1967 to 1970 HY80/100 steel plate was provided by four approved mills: United States Steel Corporation, Lukens Steel Company, Armco Steel Corporation, and Bethlehem Steel Corporation. U.S. Steel was the largest supplier and Lukens was second. Bethlehem Steel Corporation informed purchasers in 1970 that it would no longer produce this steel plate.

Lukens published a catalog that listed prices of alloy steel by the components that make up the product. U.S. Steel and Armco did not have such published price lists.

Procurements in tons and total dollar value of HY80/100 steel plate by the Government and its prime contractors for the years 1967 through 1970 are shown below.

Year	Government		Prime contractors			Total
	Defense Industrial Supply Center	Newport News Shipbuilding	Electric Boat	Ingalls Shipbuilding		
	Tons					
1967	195	624	1,878	23	2,720	
1968	10,595 ^a	4,996	1,360	314	17,265	
1969	114	14,284	2,007	383	16,788	
1970	110	14,252	2,553	60	16,955	
Total	11,014	34,156	7,778	780	53,728	
Value	\$6,323,000	\$20,328,000	\$4,291,000	\$431,000	\$31,393,000	

^aLarge procurements were made because the HY steel plate was furnished to Electric Boat and Ingalls as Government-furnished material for the nuclear submarines program at these two shipyards.

The Defense Industrial Supply Center purchased only finished HY steel plate, whereas the prime contractors purchased unfinished plate. About 80 percent of the unfinished plate used by the Government was purchased by Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia.

DEFENSE INDUSTRIAL SUPPLY CENTER

Since 1963 the Defense Industrial Supply Center of the Defense Supply Agency has been responsible for procuring steel for the Government. We were informed by the steel buyer that the Center buys all of its HY steel plate in finished condition from the steel mills. We found no identical bids.

In November 1967 the Director, Defense Supply Agency, informed us that, subsequent to the 1965 report, an

additional supplier, Armco Steel Corporation, had become a bidder and that the Center was receiving three offers on most of its solicitations for HY80 steel items. Also the agency found that, with one exception (apparently prior to the period we reviewed), offered prices, either f.o.b. origin or f.o.b. destination, were not identical.

The Director also concluded that price competition was present to such an extent that the reasonableness of the prices was ensured and that his agency would procure HY80-type steel plate by formal advertising or by negotiation, when appropriate, without obtaining certified cost or pricing data.

We also found that, for 34 of the 41 purchases of HY steel plate during the period reviewed, three or more bidders had submitted bids at different prices. For the seven remaining purchases, less than three bids had been received.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

Newport News purchased 34,156 tons of HY steel plate at a cost of \$20,328,000. Almost all of this tonnage was purchased from U.S. Steel and Lukens. Newport News purchased the HY steel plate in an unfinished condition and did its own finishing.

Our analysis of price quotations for 70 purchase orders (30 were over \$100,000) for procurement of 590 items showed that, after freight was added to the f.o.b. origin quotations, bids received for 549 items, or 93 percent, were identical. The chief steel buyer at Newport News informed us that about 95 percent of the HY steel purchases had been made at identical bid prices.

The steel companies quoted different prices for HY steel delivered at their plants. The differences were eliminated, however, and the prices were identical when freight to Newport News was added to the price quotations. For example, when the freight rate from the Lukens plant at Coatsville, Pennsylvania, to Newport News was \$0.335 per hundredweight and the freight rate from the U.S. Steel plant at Pittsburgh, Pennsylvania, was \$0.535, all quotations from U.S. Steel were \$0.20 per hundredweight less than those received from Lukens. When the freight rates changed to \$0.42 and \$0.64, U.S. Steel's bids were \$0.22 less than those received from Lukens.

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We were informed that late in 1971 Newport News started to request bids from a third steel producer, Armco, whose prices were not always the same as those of U.S. Steel and Lukens.

During the months of October 1971 to April 1972, 209 requests for bids were solicited and orders totaling \$6.5 million were awarded to the three steel producers, as follows:

	<u>Million</u>	<u>Percent</u>
U.S. Steel	\$2.354	36.0
Armco	2.324	35.6
Lukens	<u>1.858</u>	<u>28.4</u>
	<u>\$6.536</u>	<u>100.0</u>

Our analysis of the 209 procurements showed that identical bids were received from U.S. Steel and Lukens for 140 of the procurements, about 67 percent. This represents a drop from 93 percent identical bids for preceding years. For 60 of the procurements, the bids from the three companies were different. For most of the remaining nine procurements, single bids were received. Armco was low bidder for 57 of the 209 procurements.

The above analysis shows that competition among the steel producers has increased but awards on the basis of identical bids have continued without obtaining cost or pricing data.

ELECTRIC BOAT DIVISION OF GENERAL DYNAMICS

Electric Boat purchased all its HY steel plate from the steel mills in an unfinished condition, and finishing was done by another contractor. Electric Boat issued 83 purchase orders (13 were over \$100,000) for 7,778 tons, valued at \$4,291,000. It solicited bids from all four approved sources.

Of the 83 purchase orders, 14 were priced on bids from U.S. Steel and Lukens that were identical after freight was added to the quotes received. We found, however, that identical bids were less prevalent in recent years, as shown below.

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<u>Year</u>	<u>Total purchases</u>		<u>Identical bids</u>	
	<u>Number</u>	<u>Dollar value</u>	<u>Number</u>	<u>Dollar value</u>
1967	27	\$ 965,632	11	\$457,644
1968	9	740,693	-2	52,264
1969	32	1,092,923	1	19,024
1970	<u>15</u>	<u>1,492,108</u>	-	-
Total	<u>83</u>	<u>\$4,291,356</u>	<u>14</u>	<u>\$528,932</u>

Electric Boat, commencing in 1971, changed its method of buying HY steel plate. Instead of obtaining HY steel in an unfinished condition as it had in the past, Electric Boat requested the steel mills to quote for both unfinished and finished plate. Electric Boat found that total costs were less if steel plate was finished by the mill. Although the bids plus freight of both U.S. Steel and Lukens for unfinished plate were identical (Armco's was not), their evaluated bids for the plate in a finished condition were different. In one instance the difference was \$3,000 on a bid of \$390,000.

INGALLS NUCLEAR SHIPBUILDING DIVISION
OF LITTON INDUSTRIES

During the period 1967 through 1970, Ingalls made 26 purchases of HY steel plate for 780 tons valued at \$431,000. Ingalls purchased HY steel plate in an unfinished condition and the finishing was done in-house. Shipyard officials stated that, if U.S. Steel was the low bidder, it usually received the award without evaluating freight since U.S. Steel was the nearest mill. If U.S. Steel was not the low bidder, then freight was evaluated to determine the lowest price. We found no identical prices.

Ingalls officials said that very little HY steel plate was purchased by Ingalls because most of the plate used in its submarine construction program was Government furnished.

COMPARISON OF PRICES PAID

We attempted to compare some identical prices quoted to Newport News with the competitive prices quoted to Electric Boat and Newport News. We were unable to make meaningful comparisons since the prices of the plates varied according to thickness, width, and length of each plate, and the procurements for the most part were not for plates of the same sizes. Furthermore, the prices were not comparable because of time differences and periodic price changes.

CHAPTER 3

NAVY ACTION TO OBTAIN COST OR PRICING DATA

IN COMPLIANCE WITH TRUTH-IN-NEGOTIATIONS ACT

In response to our 1965 report, the Navy stated that it would require cost or pricing data to be furnished and would process contractor refusals to higher authority for resolution. As stated previously the Navy no longer directly procures steel; however, its prime shipbuilding contractors do, and they are required under the terms and conditions of their negotiated-fixed-price contracts to obtain certified cost or pricing data for noncompetitive subcontracts over \$100,000.

At the shipyards the files showed that consent to subcontracts for HY steel plate was granted by the contracting officer, as required by their prime contracts. For Newport News we reviewed the procedures involved before consent was granted.

In 1970, when U.S. Steel and Lukens refused to furnish cost or pricing data with their bids, Newport News submitted the matter to the Navy Supervisor of Shipbuilding with a request that either consent be granted or a secretarial waiver be obtained. While the Navy was considering what action should be taken, the contractor informed the Navy of potential claims for delay and disruption because of the lack of HY steel plate.

Navy correspondence indicated that requests for waivers were not submitted to the Secretary of the Navy because the Navy Material Command desired further information as to the reasonableness of the prices being paid. Also the command requested that Newport News obtain statements from the steel producers as to their reasons for refusing to furnish cost or pricing data. Their statements are discussed in detail in the following section.

Navy files indicate that, pending the receipt of further information, the Commander, Naval Ship Systems Command, directed the contracting officer to include the following statement in the consent letters to the prime contractors. This statement also was included in consent letters for Electric Boat's contractors.

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"This consent under these orders should not be considered as a precedent for establishing the fact that cost and pricing data is not required for steel shipment."

Although top officials of the Navy gave considerable attention to obtaining cost or pricing data from the steel companies, secretarial waivers were not issued prior to the award of the subcontracts although required by Public Law 87-653.

REFUSAL OF STEEL COMPANIES TO SUBMIT COST OR PRICING DATA

The steel companies that have refused to submit cost data are Lukens, U.S. Steel, Armco, and Bethlehem. The steel companies justified their refusals as follows.

Lukens based its refusal on the grounds that its corporate policy is not to divulge cost data on any catalog products.

U.S. Steel based its refusal on the grounds that, over the past few years, the Government consistently had made direct procurements of HY80 steel plate without requesting certified cost data or a Certificate of Current Cost or Pricing Data and that the position of the shipyard contracting officer in requesting such data was inconsistent and unwarranted. U.S. Steel appeared to be referring to the purchases by the Defense Industrial Supply Center discussed on pages 8 and 9.

Bethlehem's refusal was based on its knowledge that the prime contractor had received responsive bids from two other steel companies. Bethlehem believed that, since price competition was adequate, certified cost or pricing data need not be submitted.

Newport News at that time did not solicit bids for HY steel plate from Armco and therefore did not request a statement from it. Electric Boat, however, does obtain HY steel plate from Armco. Armco in a statement to Electric Boat refused to furnish cost data; it contended that the item was competitively produced and that certification of cost data was not compatible with its pricing policy.

In our opinion, the statement in our 1965 report still is valid; that is, when the bids received result in identical prices to the Government, price-competition is not adequate because there is insufficient assurance that the prices are reasonable. It is the contracting officer's responsibility, not the steel companies', to determine whether

adequate price competition exists and to determine the need for cost or pricing data.

When a catalog price is offered for a product, the requirement for furnishing cost or pricing data may be waived by the contracting officer only if there are substantial sales of the product to the general public. HY steel plate was not sold in substantial quantities to the general public.

DEALINGS WITH THE FEDERAL TRADE COMMISSION

The Navy has written several times since 1961 to the Federal Trade Commission (FTC) regarding noncompetitive bidding by steel companies for HY80 steel plate.

In 1947 FTC brought an action (Docket No. 5508) under the Federal Trade Commission Act, against the American Iron and Steel Institute and most of the major steel producers alleging unfair methods of competition. In 1951 FTC issued an order against the institute and the major steel companies prohibiting them from adopting or maintaining prices or any element thereof at which steel products would be quoted or sold. Also they were ordered to desist from entering into understandings or agreements for quoting or selling steel products at prices determined in accordance with a system which produced identical price quotations or prices or delivered costs or which prevented purchasers from securing any advantage in price in dealing with one company rather than any of the other steel companies.

As a result of a January 1964 letter from the Navy, FTC conducted an investigation. After completion of the investigation, FTC was of the opinion that there was not sufficient evidence to prove a conspiracy in the submission of bids on HY80 steel plate.

In 1971 the Navy again wrote FTC about HY80 steel-plate purchases. As a result FTC decided again to determine whether there had been any violation of FTC's orders. Thereafter an investigation was made, and subpoenas were issued to U.S. Steel, Lukens, Armco, and Bethlehem for the purpose of eliciting information from which it might be determined whether the four companies were engaged in conspiratorial price fixing in connection with bidding on HY80/100 steel plates, as well as how they were able to arrive at identical bid prices. This matter currently is under consideration.

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CHAPTER 4

APPLICABILITY OF THE DEFENSE PRODUCTION ACT

We have reviewed the Defense Production Act of 1950, as amended, to determine whether it provides a means of dealing with the type of situation involved in the procurement of HY steel plate.

The Defense Production Act of 1950 was enacted, in part, to ensure that the Government obtains necessary defense equipment. Under this law the Department of Commerce is authorized to direct a manufacturer to accept contracts for items it produces, which are essential to national defense. The basic assumption is that national defense should take precedence over the private interest of business concerns.

It appears, however, that the Congress did not intend to permit the Government to dictate its own terms and conditions for performance of an order under the Defense Production Act. The Bureau of Domestic Commerce, Department of Commerce, stipulates in its regulation that orders be placed and accepted on the basis of the suppliers' regularly established price and terms of sale.

Under this act the Government cannot require a contractor to furnish cost or pricing data and to negotiate a price based on such data.

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CHAPTER 5

SECRETARIAL WAIVERS

The Navy was unsuccessful in its efforts to obtain cost or pricing data but did not issue secretarial waivers, although required by Public Law 87-653. We therefore considered the extent of the use of secretarial waivers by the military services.

We reviewed the 45 waivers, involving procurements estimated at \$200 million from domestic sources, granted under Public Law 87-653 from 1963 through June 1971. These procurements were for such items and services as communication system parts, computers, forgings, aircraft products, and fuel storage and handling.

The numbers of waivers granted ranged from two to eight a year. Some waivers covered more than 1 year. We found that efforts were made to obtain the required cost or pricing data at levels above those of the procuring agency. The contractors, however, were adamant in refusing to furnish the data. The contracts were then awarded, and the Government still was unable to determine whether the price was reasonable.

If contractors were required by law to furnish cost or pricing data, the agency would have a basis for evaluating the reasonableness of the proposed prices. Even though a contractor refused to negotiate and obtained its requested price, the Government would be knowledgeable of the costs involved and, if the price were not reasonable, could consider what further actions should be taken. Under current conditions the issuance of a secretarial waiver leaves open the question as to whether a reasonable price has been obtained.

CHAPTER 6

CONCLUSIONS

HY80/100 steel plate was bought competitively by the Defense Industrial Supply Center and by two of the prime shipbuilding contractors. Newport News, the largest purchaser of this type of steel plate, for the most part placed orders prior to October 1971 on the basis of identical bids. Thereafter, a third steel producer began competing and received about one-third of the orders. The other two steel producers continued to submit identical bids but not as frequently as previously.

The steel companies that submitted identical bids to Newport News for procurements over \$100,000 were requested to furnish certified cost or pricing data for HY steel plate but refused to do so. The Navy consented to the purchases without obtaining secretarial waivers which, under the circumstances, were required by law.

Since the prime contractors and the Navy are dealing with the only approved sources for HY steel plate, it must be procured from those sources. Under these circumstances, if efforts to obtain the cost or pricing data from the steel companies were successful, it still would be necessary to convince the steel companies to negotiate prices on the basis of the data. Refusals to negotiate are to be referred to higher authorities in the Department for whatever action is appropriate.

The law does not contain a requirement making it mandatory for contractors to furnish cost or pricing data when the head of the agency determines that such data are necessary to establish the reasonableness of the prices. If such data were obtained, they would provide the agency with a basis for determining whether offered prices were fair and reasonable. If such data indicated that the offered prices were not reasonable, agency officials would have a basis for attempting to negotiate lower prices and, if unsuccessful, for considering what further action was warranted.

Conversely, acceptance of the contractors' prices after contractors' refusals to furnish data and after the issuance of secretarial waivers, casts doubts on the reasonableness of such prices.

At the present time there is no provision in Public Law 87-653 or in any other legislation requiring contractors to submit cost or pricing data.

CHAPTER 7

SCOPE OF REVIEW

GAO wanted to find out whether cost or pricing data were being obtained to determine the reasonableness of identical prices and, if not being obtained, whether secretarial waivers had been issued in compliance with Public Law 87-653-- the Truth-in-Negotiations Act.

Our examination concerning high-yield steel was made at the Defense Industrial Supply Center, Philadelphia, Pennsylvania, and at the three following Navy prime contractors.

1. Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia.
2. Electric Boat Division of General Dynamics, Groton, Connecticut.
3. Ingalls Nuclear Shipbuilding Division of Litton Industries, Pascagoula, Mississippi.

At each of the above locations, we identified purchases of HY80/100 steel plate during the years 1967 through 1970 and reviewed the basis for accepting the prices offered by the steel producers. In addition, at Newport News we reviewed all procurements of HY80/100 steel plate for the period October 1971 through April 1972.

We reviewed 85 secretarial waivers granted and examined in detail 45 waivers granted for domestic purchases by the Government. We examined the reasons for the waivers, as well as the efforts to obtain cost and pricing data. The remaining waivers were for purchases from nonprofit organizations, from foreign sources, or for foreign governments.

[REDACTED]